

PROJECT DETAILS

LAS AZUCENAS: REFORESTATION OF DEGRADED CATTLE FARM LAND USING NATIVE BIOSPHERE PALMS AND TREES

Las Azucenas is an expertly managed reforestation farm comprising 10,000 planted hardwood trees of high economic value. There are three types of prized hardwoods on the farm: mahogany (*Swietenia macrophylla* King), cedar (*Cedrela odorata* L.) and ciricote (*Cordia dodecandra* Dc.). Hardwoods in other parts of the world take 80 to 100 years to reach maturity. In the Petén region of northern Guatemala, well-cared-for hardwoods achieve maturity in an average of 18 years. The combination of ideal soil, humid climate and rainfall provides optimal conditions for trees to grow rapidly and thrive. Las Azucenas also bodes well for its human counterparts, generating 100 seasonal jobs per year for a period of 18 years, and maintaining a permanent core technical team charged with designing and developing the treescape and nurturing and caring for the trees full-time. Having this core technical team onsite is critical, as high-value trees left to grow in the wild would be vulnerable to premature chopping and at risk of fires caused by human activity.

We extend a warm invitation to you to become more familiar with the Las Azucenas project and consider becoming an owner of your own prized hardwood tree. The team at Los Santos, led by Las Azucenas owner Javier García Esquivel, has effectively democratized environmental impact reforestation projects by generating a sustainable model that accounts for all project resource requirements and establishes the units required to reach equilibrium while designing it as a viable proposition for a community of investors to consider. Unlike other timber investment projects, which are accessible to only a select few, this one allows individuals to purchase as few hardwoods as they wish or can afford, even just one tree. Also, this reforestation project allows owners to play an active role in the care and protection of their trees.

Collectively, tree owners contribute to the environment by sustaining a forest, generating jobs, protecting ecosystems and achieving carbon sequestration in a managed and sustained manner.

We cannot guarantee a tree for eternity, but we can care and protect a forest and maximize the life cycle of trees on our farm. Participants own and protect the richest of timber species available in the world: precious hardwoods.

The team at Los Santos invites you to collaborate with Las Azucenas in the reforestation of degraded cattle and farm land. Your opportunity to do so begins with purchasing and owning a tree and underwriting its care and cultivation.

Owners often find it very rewarding to be a part of this project, for a number of reasons referenced above (supporting sustainable forestry, protecting ecosystems, promoting carbon sequestration), but there is also a financial incentive to investing in hardwood trees. The cost of owning and protecting a hardwood tree is \$25 per year. The total cost over the lifespan of the tree is \$450. Once mature, a managed tree, 350 board feet long, fetches an average of \$2,750. Given the trends in supply and demand, tree prices will most likely continue to rise.

In their second life, hardwoods are sold to create works of art, musical instruments, fine sculptures, or home and auto finishes, to mention a few possibilities. The uses for these refined, precious and scarce hardwoods are many. Their value grows as markets tumble. A tree does not sway to the hysteric vagaries of the stock market; it continues its ongoing quest to grow in stature and arboreal glory, furthering its value continuously. Harvard's Fund, for instance, invests in hardwood trees.

Today you have the privilege of owning a tree and ensuring its care, knowing it will be raised with the highest of integrity and standards. Your tree will contribute to the local indigenous communities that care for it. It will contribute to the environment and to the very world we live in.

Welcome to the field of reforestation. Welcome to Las Azucenas.

Farm Owner, Project Designer and Manager: Javier Garcia Esquivel - [CV LINK](#)

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Production of trees of high economic value: mahogany (*Swietenia macrophylla King*), cedar (*Cedrella odorata L.*) and ciricote (*Cordia dodecandra Dc.*), for restoration purposes in areas degraded by agricultural and cattle-raising activities.

1.1. General information about the mahogany, cedar and ciricote species

Swietenia macrophylla King

This species manifests as a large tree, which under natural conditions reaches heights ranging between 30 and 45 meters. It usually has limbs, odd-pinnate leaves and deep-fissured, dark brown bark. The species is known worldwide for its quality and beauty, ideal for manufacturing furniture and finishes. Because of this, it has been commercialized for over 100 years in Guatemala. The main limitation for the development of this species in forest plantations is the susceptibility to attack by the meliaceae apex borer, *Hypsipyla spp.*

Cedrela odorata L.

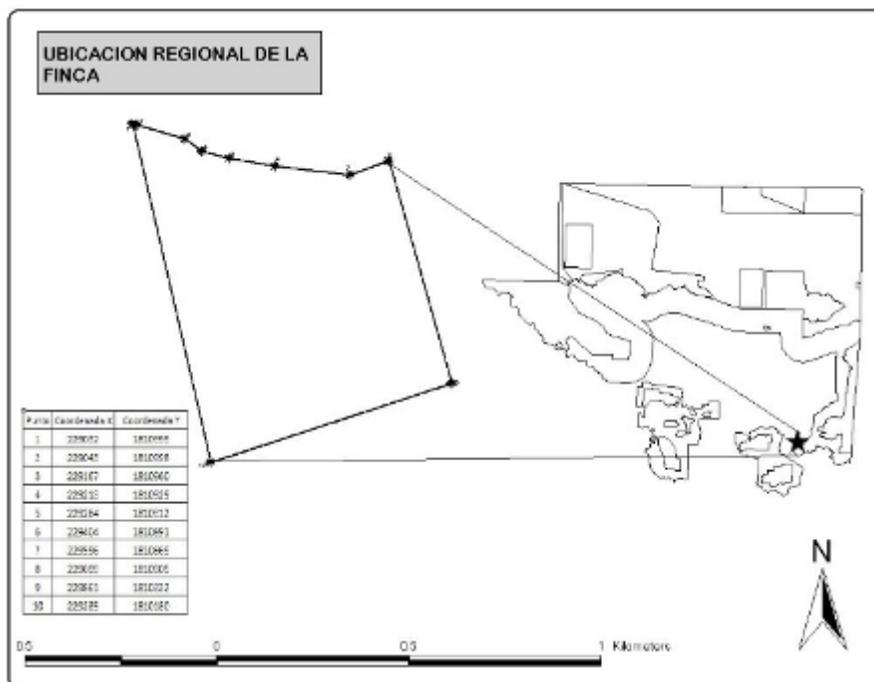
This species manifests as a large tree that reaches heights ranging between 30 and 40 meters. It has deeply fissured reddish-brown bark and paripinnate leaves. It produces a very attractive, valuable, light, durable and aromatic wood that is of excellent quality, easy to work with, and resistant to termites and fungi. It is used for furniture, musical instruments and other objects. Like mahogany, it is harshly attacked by *Hypsipyla spp.* Some of the factors to consider in regard to cedar plantations are site selection, nutritional requirements, levels of foliar deficiency, fertilization in nurseries and transplantation.

***Cordia dodecandra* Dc.**

This species manifests as a medium tree with small limbs. It reaches heights ranging between 8 and 12 meters. It has grayish and fissured bark, as well as alternate simple leaves. It is made of hard, heavy wood, with a dark brown heartwood that forms fine veins. It is used to make elegant furniture and a wide variety of crafts. It is also highly valued for its edible fruits.

2. Location

Finca las Azucenas, or the Las Azucenas Ranch, is located in the department of Petén, Poptún Municipality, Concomá Village. The property is located outside of the Guatemalan System of Protected Areas. The approximate distance to the department head of Flores is 97 km. The distance to the municipal head of Poptún is approximately 29 km.



Map 1. Regional location of the property

3. Execution Time

This is a medium-term project, with an estimated timeframe of eighteen (18) years, when the first harvest of timber production is carried out. Compliance with this projection will depend on management and future activities programmed as part of the current project for the production of these high-value trees, *Swietenia macrophylla* King, *Cedrella odorata* L. and *Cordia dodecandra* Dc.

4. Background

The Las Azucenas Ranch has a surface area of 45.00 hectares (ha). It was previously used for cattle-raising activities. However, as of the year 2000, in order to provide economic value to the forest and restore the forest landscape, enrichment plantations of fishtail xate (*Chamaedorea ernesti-augusti*) were carried out on 16 hectares of land, under the canopy of degraded forest areas, using forest succession processes.

5. Justification

It has been documented that the extraction of timber products in the department of Petén and the exploitation of *Swietenia macrophylla* King (mahogany) and *Cedrella odorata* L. (cedar) began in the years 1900-1907 (Development of Petén Seminar, 1964).

In the 1970s, with the construction of the Guatemala-Petén highway (CA-13), there was a massive migration to Petén due to the policy of supporting industry-based projects and the exporting of livestock. However, no technical assistance was provided and most of the remaining forests in the southern area of Petén were deforested.

The mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.) and ciricote (*Cordia dodecandra* Dc.) species are highly prized in national and international markets for their wood. However, their presence was reduced due to illegal logging and selective management without technical prescriptions. To solve the problem of scarcity of species with high commercial value, this project aims to plant 10,000 trees for wood production, and thus recover the forest landscape in agricultural and cattle-raising areas.

6. Objectives

Producing trees of high economic value, specifically mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.) and ciricote (*Cordia dodecandra* Dc.), in order to restore areas degraded by agricultural and cattle raising activities, by planting 10,000 trees for medium- and long- term wood production.

7. Goals

The goal is to plant 10,000 trees of the commercial species of mahogany, cedar and ciricote, in order to restore 20 hectares located in agricultural and cattle-raising areas, over an estimated timeframe of eighteen (18) years, during which the first harvest is expected, with an average projection as to mahogany and cedar wood of 450 board feet per tree at a price of \$7.00-\$9.00, and as for ciricote, a yield of 100 board feet per tree at \$44.00 per board foot. This is detailed in the following table.

Species	Volume at Maturity	Current Prices	Prices at Maturity
Mahogany	450	\$4.50	\$9.00
Cedar	500	\$3.80	\$7.60
Cericote	100	\$22.00	\$44.00

Table 1. Estimated volumes, Current Prices and Prices at Maturity in BF.

8. Description of activities to be carried out

There are important activities to be carried out as part of the project aiming to produce mahogany (*Swietenia macrophylla* King), cedar (*Cedrella odorata* L.) and circicote (*Cordia dodecandra* Dc.), trees of high economic value

- **Activities for establishing nursery**

These include:

- a. Collection, handling and storage
- b. Establishment of the nursery and production systems
- c. Work in the nursery for the production of saplings
- d. Pre-germination treatments
- e. Sowing
- f. Transplanting, or separating seedlings once they have reached a desired height
- g. Use of shade
- h. Inoculation
- i. Weed control and fertilization

- **Activities for establishing plantation**

- a. Determining location and characteristics of the site where planting will take place
- b. Practical activities for the maintenance of cedar, mahogany and circicote plantations
- c. Pest and disease control, silvicultural treatments
- d. Protection of plantations
- e. Marketing

9. Population Set to Benefit

The project will be carried out in the private Las Azucenas Ranch, located in the vicinity of the Concomá Village, with a population of approximately 100 families, out of which 30% (equal to 150 people) will benefit from temporary and permanent jobs.

11. General Budget Summary Per Tree over 18 Years

Rent and Establishment	\$15.00
Maintenance	\$160.00
Technical Team, Gas and Equipment	\$275.00
Total Cost	\$450.00

APPENDIX



Map: Satellite image of Las Azucenas Ranch location. [LINK to geo location.](#)



The first image shows how the ranch looked prior to any restoration work. The second image is a photo of the restored ranch.

GUATEMALA

The Republic of Guatemala is a country in Central America that lies between 15° and 10° latitude north and between 90° and 15° longitude west, with a surface area of 108,889 km² (42,042 mi²). It borders Mexico to the north and west, Belize and the Caribbean to the northeast, Honduras to the east, El Salvador to the southeast and the Pacific Ocean to the south. With an approximate population of about 16.6 million, it is the most populous country in Central America. Guatemala is a representative democracy. Its capital and its largest city is Nueva Guatemala de la Asunción, also known as Guatemala City.

Guatemalans have a strong cultural heritage that mixes influences from the Mayans, Europeans, and the Caribbean region. Today, ethnic diversity is reflected in the varied languages and lifestyles that exist within the country. Population is also on the rise; in fact, Guatemala is one of the fastest-growing countries in all of Latin America.

The territory of modern Guatemala was once the seat of the Mayan civilization, which spread throughout Mesoamerica. Most of the country was conquered by the Spanish in the 16th century, and it became part of the Viceroyalty of New Spain. Guatemala achieved its independence in 1821 as part of the Federal Republic of Central America, which by 1841 had dissolved.

Guatemala is the largest economy in Central America and it is also the most populous country in the region. After the 1996 peace accords, the economy has grown steadily, accompanied by moderate development. Certain groups within the Guatemalan population continue to be minimally active in the economy. This is the case mainly in rural areas, where development has been slow and scarce.

Tourism has played an important role in Guatemala's economy in recent years: the service sector, largely related to tourism, employs around 35 percent of the population. A significant amount of the money generated by tourism stays in local communities, and this has helped bring about development in rural communities. Like other Central American countries, Guatemala is trying to balance development and a growing population with environmental protection. An environmental movement has been fighting the big agriculture industry, local farmers, and government officials in order to push for a greener agenda.

Why Invest in Guatemala?

Guatemala is not only a country with broad cultural diversity, beautiful landscapes and a highly-developed capital, it is also an excellent destination for investing in a wide variety of industries. According to UNCTAD's World Investment Report 2016, Guatemala is among the 20 countries in the world with the highest rates of return in terms of foreign investment. In fact, it ranks as the third highest-performing country in Latin America, just below Peru and Paraguay. This is yet another reason to invest in Guatemala.

Guatemala is considered the great economic center of Central America and a meeting point for doing business thanks to competitive advantages such as geographic location, wealth of natural resources, quality of the workforce and high logistics performance.

Year after year, Guatemala continues to build a solid infrastructure and increase technological capacity, positioning itself as the metropolis of the region. It has a Gross Domestic Product (GDP) of 49,902.87 million dollars, and has had an average growth of 3.4% since 2001 and 0.5% in 2009 despite the global financial crisis. Its inflation level is stable and under control at 4.30% and there was an international reserve of 7.27 billion dollars in December of 2013. (*Gross Domestic Product, Quarterly, 2019*. Volume II. Banco de Guatemala).

In recent years, thanks to prudent macroeconomic management, Guatemala has had one of the best economic performances in Latin America, with a growth rate of more than 3 percent since 2012, reaching 4.1 percent in 2015. The country grew 2.8 percent in 2017 and 3.0 percent in 2018, according to the latest calculations, and is expected to grow by 3.3 percent in 2019 (General Overview of Guatemala, World Bank, April 2019; web link www.bancomundial.org/es/country/guatemala/overview).

The main economic sectors of the country are manufacturing, services and commerce, which represent 46% of the GDP. Agriculture represents 14%, transportation and communications 11% and housing 10%. Additionally, the exchange rate has been stable: for over a decade, the exchange rate between the national currency and the US dollar shows a very stable behavior, from Q 7.40 in 2001 to Q 7.58 in 2019.

Strategic Geographic Location

Guatemala's location is its greatest natural attraction and its competitive advantage when attracting foreign investment. The geographical proximity to Mexico and Central America makes Guatemala a commercial bridge for a market of over 68 million people, in a production area of over \$ 319,000 million dollars. The country is a regional logistics and service center, given its proximity to the United States and its access to both the Pacific and Atlantic Oceans. The road infrastructure network is becoming better-connected, and has 6,919.91 km (4,299.8 miles) of paved roads, suitable for transporting cargo and people, connecting various regions, ports and borders of Guatemala with Mexico and Central America. (ECONOMIC AND COMMERCIAL REPORT OF GUATEMALA, prepared by the Office of the Economy and Trade of Spain in Guatemala).

Access to Foreign Trade

The country exports more than 4,075 different products to more than 140 markets worldwide. Guatemala's flagship products in terms of export are clothing and textiles. In the years 2012 and 2013, exports totaled over \$2.5 billion and were allocated mainly to the United States, Central America and Mexico. Meanwhile, sugar has become another important export for Guatemala, presenting exports of US \$1,744.9 million between 2012 and 2013. Another export is coffee, totaling US \$1,672.6 during those same years and reaching diverse markets such as the US, Japan, Germany, Canada, Belgium and Italy. The mining products sector also had an important export value, totaling US \$1,000 million.

The country has sought to penetrate other markets, such as the field of Information Technology, which has achieved a sustained growth of 5% annually since 2003. Exports increased by over 100 %, with an increase of US \$4.162 million to \$10.162 million in 2013.

Guatemala has a prominent place in international business thanks to Free Trade Agreements (FTAs) and individual trade agreements with various countries and regions such as Central America, Mexico, Taiwan, United States, the Dominican Republic, Panama, Colombia, Chile and the European Union.

Investment agreements have been established with Germany, Argentina, Austria, Belgium-Luxembourg, Chile, Korea, Cuba, Spain, Finland, France, Israel, Italy, the Netherlands, the Czech Republic, Sweden, Switzerland and Taiwan (according to information from the Companies Commission for International Trade Negotiations, ECONOMIC AND COMMERCIAL REPORT OF GUATEMALA, prepared by the Office of the Economy and Trade of Spain in Guatemala).

Forestry Industry In Guatemala

The name “Guatemala” comes from the local term “Coactemalan”, which can be translated to “land of trees”. This term recognizes the country’s highly fertile lands and great variety of microclimates that allow the development of a wide array of tree species of the best quality, such as Spanish cedar, genuine mahogany, rosewood and ciricote, among others.

Guatemalan forestry products and raw materials have important certifications that allow them to fulfill first-world requirements. For instance, a large number of plantations have earned their status as “certified plantations.” Additionally, furniture and wood articles meant for exporting often have “Chain of Custody” certification, which guarantees that they originated from certified forests, which is important for this industry and its participation in global markets.

According to information provided by the Bank of Guatemala, in 2013 production levels in this sector reached around US\$816.2 million. The sector's growth over the last few years shows its vitality. It produces mainly rubber, latex, wooden items, furniture, paper, cardboard, pencils, and wooden boards. It also represents an important source of foreign currency for Guatemala, given its exports to the main international markets. In 2013, it registered around US\$100 million, growing by 17% when compared to 2011. In terms of exports, Guatemala’s main forestry products are furniture (32%) and sawn timber (21%). Other important export products are doors, floors, plywood, scaffolding, coffins, baskets and fences, representing 43%. The most important markets for these exports are Central America (El Salvador, Honduras and Costa Rica), the US and Mexico (combined, they receive 79% of total exports); other important markets are Colombia, Peru, Chile, Italy, Brazil, Venezuela, the Dominican Republic, Ecuador, Argentina, Belgium and Spain.

An excellent geographical location allows companies to cover the national market, as well as the Mesoamerican (Southern Mexico and Central America) and other international markets.

Forestry Sector

The forestry sector comprises a group of actors (public sector, private-entrepreneurial sector, NGOs, individual owners, local communities and groups of indigenous peoples, communities that have been awarded forestry concessions, groups of women, municipalities) that are interrelated due to activities such as exploitation, protection, commercialization, and industrialization, among others, and that produce products for other sectors within the national and global economic systems (forestry goods and services).

The economic importance of the forests in Guatemala lies, on one hand, on the supply of timber-yielding goods. It covers most of the demand generated by the internal market of the forestry industry (estimated in 2006 to encompass 3.15 million m³ of wood for furniture and the manufacturing industry, and 2.71 million m³ of wood for sawmills and for the creation of wooden products [BANGUAT (Bank of Guatemala), URL (Rafael Landívar University) and IARNA (Institute of Agriculture, Natural Resources and Environment, 2009)], and for covering the demand for firewood as combustible material [estimated to be 15 771 187 tons (INAB, IARNA-URL, FAO/GFP. 2012)]. On the other hand, they provide non-timber forest products (flora, animal protein) and create a need for environmental services related to forests.

On a social level, more than 69.82% of Guatemalan homes report the use of firewood as their energy source when cooking at home, mainly in rural areas (INE, National Statistics Institute, 2014). 31.85% of Guatemalan territory is covered by protected areas, legally declared as such, which are internationally known and distributed in six categories, depending on management. The category with the highest surface area encompasses the Biosphere Reserves (Maya BR, Chiquibul Mayan Mountains BR, Trifinio BR, Sierra de las Minas BR and Visis Cabá BR), the Wildlife Refuges (El Pucté, Petexbatún, Machaquilá, Xutilhá, Bocas del Polochic, and Punta de Manabique), and the Multi-Purpose Areas (Lake Atitlan's Basin, Monterrico, Ipala's Volcano and Lagoon, Sarstún River and Hawaii).

There are several types of holders of land rights in Guatemala: state, municipal, private, individual and community (including indigenous lands). The tenure rights (as well as the ability to participate in various incentive schemes) of each of these groups depend on whether they are owners (with registered title), possessors (with documented title, but not registered) or land occupants of lands which belong to third parties, which include those engaging in leasing, unregulated peaceful occupation and illegal occupation. The "possessor" is the category with the least legal clarity, but also the most frequent one among owners of small areas and those who live within protected areas.

Relevant Legal Framework

The National Forestry Institute (INAB) was created as a result of the Forestry Law of 1996 to implement the law and to administer forest policy in Guatemala. It is the public entity responsible for supervision. It is an autonomous, decentralised agency that is assigned to the Ministry of Agriculture, Livestock and Food (Ministerio de Agricultura, Ganadería e Alimentación; MAGA).

The forestry sector in Guatemala is directed by Guatemala's Forestry Law (Decree 101-96). This Law stresses the great importance of reforestation and the conservation of forests, and brings about opportunities for forestry development and sustainable management. Additionally, this law names the National Institute of Forests as the administrative and regulatory entity for the sector. This law also establishes guidelines for industrializing the forestry sector in Guatemala.

In September 2013, Guatemala passed a new Climate Change Framework Law. This gave way to two new climate change institutions, the National Climate Change Council (Consejo Nacional de Cambio Climático; CNC) and the Climate Change Fund (Fondo de Cambio Climático; FONCC) and clarified the issue of ownership of emission reduction credits.

The two most important pieces of forestry legislation are the 1996 Protected Areas Law and the 1996 Forestry Law. The Protected Areas Law created the Guatemalan System for Protected Areas (Sistema Guatemalteco de Áreas Protegidas; SIGAP) and the National Council for Protected Areas (Consejo Nacional de Áreas Protegidas; CONAP) in charge of coordinating with the SIGAP. The Forestry Law created the National Forestry Institute (Instituto Nacional de Bosques; INAB) and established the Forestry Incentive Programme (PINFOR). The other main national forestry subsidy, PINPEP, was created by the Law on Forestry Incentives for Small-Scale Possessors of Forest or Agro-Forest Land in 2010. The PROBOSQUE act extends the National Forestry Incentives Program (PINFOR), for forest conservation, increasing the surface area of forests, and reduction of emissions. The law establishes specific goals regarding the reduction of emissions for the forestry sector and land-use changes. The goal is for 1.2 million hectares to be restored in a period of 30 years (2016-2046).

The 2005 Forest Law Regulations provided further details on forest management, while the Forest Regents Regulations established guidelines for forestry experts who sign off on forest management plans.

Guatemala's Constitution of 1985 expressed a high level of acknowledgment as to the importance of environmental protection and of indigenous peoples' rights to land. Of the 12 Peace Accords that gave way to the end of Guatemala's civil war in 1996, two are particularly relevant to collective land tenure and indigenous peoples' rights and, therefore, to REDD+: (i) the Agreement on Socio-Economic Aspects and the Agrarian Situation, and (ii) the Agreement regarding Indigenous Peoples' Identity and Rights. The 2005 Land Registry and Cadastre Law modernized the Guatemalan land registry system.

The Law of Urban and Rural Development Councils regulates the operation of Regional, Departmental, Municipal and Community Development Councils, which are the primary mechanism for public participation in policy creation at different levels.

Guatemala ratified the 169 OIT Convention in 1996 and voted for the UN Declaration on the Rights of Indigenous Peoples in 2007. Guatemala has also ratified a number of international environmental treaties, including the United Nations Framework Convention on Climate Change (UNFCCC) in 1995 and the Kyoto Protocol in 1999, the Convention on Biological Diversity (CBD) in 1995, and the United Nations Convention to Combat Desertification (UNCCD) in 1998, the International Tropical Timber Agreement, and the RAMSAR Convention in 1988.

However, according to CONAP, Guatemala does not have an implementation plan for the majority of these conventions, making it difficult to track progress made (CONAP 2009).

RISK FACTORS

This offer to buy Business Units (trees) and the benefit of tree management involves a high degree of risk. In addition to the other information found in this plan, the following risk factors should be considered carefully, among other risks, in evaluating the strategy of the Company with respect to the proposed forestry production, and the Company itself before buying trees from the company and engaging its management services.

The Olán contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in this Memorandum. Factors that could cause or contribute to such differences include those discussed below, as well as those discussed elsewhere in the plan. The risk factors noted in this section and other factors noted elsewhere, including certain risks and uncertainties, could cause actual results to differ materially from those contained in any forward-looking statement. No purchase of Business Units should be made by any person not in a position to lose his or her entire investment.

The primary risks to the Company are the same for most forestry and agricultural operations, and working to manage and minimize these risks is part of the best practices adapted by the Company and all responsible agri-teams in sustainable reforestation and agri-industry.

Theft

Illegal harvesting was once a major threat to forests and agricultural farms, particularly in countries with low political stability. Today, illegal harvesting generally only poses a problem in natural forests or agri-fields where thieves can operate completely unnoticed. On our plantation, employees are present day and night, making it difficult for large-scale theft and transportation of a significant quantity of timber to occur within our boundaries.

Most Central and South American countries today have strict laws in place and have undertaken drastic measures to curb this type of risk. Legal and environmental government departments have implemented strong laws with serious consequences in order to crack down on any possible illegal harvesting or logging practices.

Moreover, we are a community-centered company with permanent staff working and living on-site 24/7. The local and surrounding villagers support the project wholeheartedly and benefit from the employment it provides. As a result, the project benefits from the protection of the local community as a whole. All of the plantations owned and managed by the Company keep well-maintained and monitored property boundaries. Staff members tour property boundaries both day and night in order to reinforce security.

Biological pests (bugs, fungus)

Local insects can cause concern. We are vigilant when it comes to care and management practices designed to minimize this risk. When saplings are young they are prone to natural pests such as bugs, beetles, worms, etc. In particular, young stems have not yet matured and lack an adequately protective trunk barrier. Vines and grasses grow quickly in the tropics, and provide a habitat for pests. Our plantation crews constantly manage these areas to ensure that the growth of these vines and grasses remains limited, and areas around all trees are kept trimmed of overgrowth. Once a young tree reaches a certain age, its trunk thickens, reducing this risk. There is a comprehensive replacement guarantee; all trees planted as part of the project that do not survive are to be replaced and replanted at once.

Fires

Fire is the most readily perceived risk to an established plantation. Fire is capable of devastating an entire forest in a matter of hours. However, contrary to popular belief, fire and other natural disasters damage less than 0.5% of privately owned plantations each year.

Our property is located inland and remains green and moist throughout much of the year. Natural streams run through the properties, keeping the air moist and thereby dramatically reducing the possibility of fire. Additionally, the property is irrigated year-round, maintaining the area wet and virtually immune to fires.

Hardwood trees enjoy an unusually high ignition temperature of between 300 to 425 degrees Celsius, which makes them almost immune to forest fires. In fact, several natural local species of hardwoods are so fire-resistant that they serve as a natural firebreak. Farmers have credited the trees with saving vast areas of forests, farms, wildlife, cattle, and homes.

Natural Disasters

While our plantation is located below the hurricane zones, the Southern region of Central America does experience flooding, strong winds, extreme heat, and earthquakes. There are two main seasons in the region: summer and winter. During the Summer months, from December through May, there is little to no rainfall, and some regions can become very dry and experience heavy wind. Extensive wells and irrigation systems on the property will allow our trees to receive the exact amount of water they need on a daily basis throughout the dry season and any delay prior to wet season. During the Winter season, from June through November, heavy rains are frequent and flooding can occur, although with limited harmful effect on our property due to the topography of most of the land.

Market Fluctuations

Changes in the market price for basic products may fluctuate substantially and exhibit cyclical characteristics. However, historically, our woods have experienced relative stability in demand and market prices paid by our purchasers.

No Escrow of Investor Funds – No Escrow

No minimum amount of sale transactions is required for the offering to become effective. Consequently, as funds are received from participant buyers, they will be released to the project without delay.

General Economic Trends

Adverse changes in economic and business conditions, monetary and fiscal policies or the amount of growth, stagnation or recession in the global or U.S. economies are risk factors which may affect the value of inventories, the collectability of accounts receivable or the financial integrity of customers, and the ability of the end user or consumer to afford timber.

Potential Future Debt

Our financial stability is important to our continued ability to perform our obligations to the Investors in the timber plantation Fund offered by this Memorandum. It will operate under a policy of no debt. We currently operate on a debt-free policy; however, we may incur debt in the future in order to fund additional acquisition and development activities.

In the event the Company were to incur debt in the future, such debt would reduce its financial flexibility and, if not managed successfully, could impact the Company in a material adverse manner with respect to its financial conditions or results of operations. A higher level of indebtedness at the Company could increase its risk of default on debt obligations. Ultimately, its ability to meet such debt obligations would depend on future performance.

Many of the risk factors listed in this section are beyond the control of the Company. If the Company were unable to repay any future debt at maturity with cash on hand, it could attempt to refinance the debt or repay the debt with the proceeds of a debt or equity offering.

Factors that affect its ability to raise cash through an offering of its capital stock or a refinancing of its debt on affordable terms include financial market conditions and its market value and operating performance at the time of any such offering or other financing. In the event that there were insufficient funds and that the Company was otherwise unable to negotiate renewals of possible future borrowings or arrange new financing, it may find itself forced to sell significant assets. A sale on adverse terms could indirectly impact the business and financial operations of the Fund.

Attract and Retain Key Personnel

The Project relies on the Company to manage the plantation. The continued ability of the Company to provide successful management services depends to a large extent on the efforts made by current staff. The loss of key management and technical personnel or the inability of the Company to attract and retain experienced technical personnel could adversely affect the ability of the Fund to operate successfully. There is life insurance coverage for key management and

technical personnel, although it is not possible to guarantee its continued availability at reasonable premium costs over the life of the Fund.

The ongoing success of the farm activities depend, partly, on the continued ability of the Company to attract and retain experienced key personnel, either as staff members or as consultants.

Insufficiency of Insurance Coverage and Uninsured Liabilities

Insurance coverage may be insufficient to cover some losses and uninsured liabilities that the farm may incur. We plan to maintain insurance only against various losses and liabilities that may arise from our operations in accordance with customary industry practices and in amounts that we believe to be prudent. We do not plan to carry business interruption insurance at levels that would provide sufficient funds for us to continue in business without access to supplemental capital. Losses and liabilities arising from uninsured and underinsured events or in amounts in excess of existing insurance coverage could have a material adverse effect on our business, financial condition or results of operations.

Absence of Registration Under Applicable Securities Laws

Participant buyers must recognize that the trees and benefits of care are offered and sold based upon exemptions from registration under applicable federal and state laws and regulations. Consequently, no regulatory authority has reviewed the disclosure of risks inherent to this investment, nor the nature and amounts of compensation to be paid to managers and owners in connection to the project.

Limited Liquidity and Marketability; Restriction on Transfer of Interests

The trees are being offered and sold for investment only and should not be acquired with a view to resale or distribution thereof. The trees will not be registered under federal or state securities laws. Because the Interests in the Project are not shares in the farm being offered and sold pursuant to specific exemptions from registration provided by federal and state securities laws for transactions involving a private offering, the availability of such exemptions depends in part upon the investment intent of each investor. Accordingly, purchasers of individual tree interests must be prepared to bear the financial risks of their investment for an indefinite period of time.

No Right to Remove Managing Member or Managers

Investors in trees may not become managers of the Company nor will they under normal circumstances have the right, either individually or as a group, to remove the Managing Member or any of the member's officers or officers of the Company. In the unlikely event an investor became or acted as a manager, he or she would incur personal liability.

No Reliance on Projections or Opinions

No agent of the Company has been authorized to make any projections or express any opinion concerning future events or expected production except as set forth within this Memorandum and any other document utilized in connection with the sale of Trees. No oral opinions, which differ from the written data provided to investors, have been authorized or should be relied upon by prospective buyers. Opinions regarding possible future events are based upon various subjective determinations and assumptions. All projections, by their very nature, are inherently subject to uncertainty. Each buyer should understand that written projections, if provided, may not be achieved, that underlying assumptions may prove inaccurate, that initial production levels may not be sustained, and that operations may be unprofitable due to these risk factors or other unforeseen or unimagined events.

Delay in Receipt of Income

The Company plans to sell the harvested timber to an unrelated party or parties. In the event a purchaser is slow in paying the Company or fails to pay for whatever reason, distribution to the sales proceeds to individual tree owners investors of the sale of each individual tree could be delayed for significant periods or not made at all.

Conflicts of Interest

Management will attempt to act in the best interest of each tree owner. However, it is possible that the interests of the investors in the Fund and the interests of the plantation management could conflict under certain circumstances. The Company sponsors other programs or ventures in other aspects of the agricultural or forestry industries. Such activities may compete with the Company's timber plantation project insofar as the level of time and attention management and its affiliated companies may devote.

Changes in Laws, Regulations or Trade Policies

Changes in the political or economic climate, trade policies, laws and regulations (sometimes disguised as actions to promote food safety) or the domestic agriculture industry of countries to which the Company or other companies in the industry ship product, and other changes, might limit access to foreign markets for products used by the company to care for the trees.

Inventory Risks due to Market Conditions

Changes in market conditions could produce risks, including, but not limited to, the risk that market values of timber could be lower than the cost of such tree inventories.

Competition

Competition is significant in all markets in which the Company competes. The Company competes with regional and national firms, some of which have greater financial and marketing resources than the Company. Changes within the competition and its effects, as well as changes in the effectiveness of the company's marketing and advertising programs, could increase risk.

Labor Costs

Changes in the availability and cost of labor could reduce the company's ability to care for the trees. Labor costs during the next 18 years are projected using historic information. Those trends can change over time significantly.

Loss of Major Customers

The loss of any of the Company's major customers could reduce the company's ability to market trees on behalf of owners, temporarily or over a longer term.

ULTIMATE RISK:

Ultimately, for any of the above reasons, for any other reason not listed above, or for any combination of possible reasons, each investor in individual trees must assume full liability for his or her investment. The investment may be lost in its entirety or may never be repaid, with the result that an investor may have to hold his or her investment in the Project for an indefinite or even an infinite period of time. Neither the efforts nor the expectations of the Company and its Managers guarantee, offer, imply, or ensure any type of absolute protection from a complete loss of the tree and/or an infinite period of non-repayment.

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